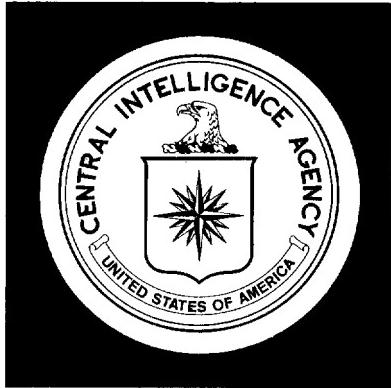


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ARGENTINA: President Campora and Vice-President Solano Lima reportedly will present their resignations to congress today to pave the way for Juan Peron to take power.

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Little real opposition is likely to such a move; Peron is believed by his supporters and opponents alike to be the only man who can control the divergent Peronist forces and restore order. Peron appears to have lined up military support for his assumption of power in recent meetings with the commanders of the three services, although some isolated resistance cannot be ruled out.

The 77-year-old former dictator may have improved his position with the military with his reported plans to form a government of national unity. He reportedly is considering offering the vice presidency to Radical Party leader Ricardo Balbin. Placing Balbin in a position where he might well accede to power in the future could raise some opposition within the Peronist movement, but would help Peron considerably in consolidating his position.

A change from Campora to Peron would merely formalize Peron's acknowledged role as chief policy maker and would not necessarily signal any abrupt policy shifts. In fact, the greatest opposition to the move could come from the left, which views Campora as susceptible to pressure and Peron as frequently representing conservative policies.

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USSR: A Soviet general, who served as a member of the SALT delegation, has strongly denied Western press stories that the Soviets are increasing the size of their military forces. The general's statement apparently reflects Moscow's sensitivity to such reports prior to the beginning of substantive force reduction talks in October.

In an interview in Red Star on 10 July, Colonel General N. V. Ogarkov, a first deputy chief of the General Staff of the Armed Forces, categorically denied that Soviet forces have been increased and cited the constant defense budget of 17.9 billion rubles announced by the USSR for the last four years as evidence. At the same time, Ogarkov charged that NATO defense outlays have been growing.

The defense budget is not a reliable indicator of the Soviet defense effort. It does not include all defense expenditures--the major omission being most outlays for military research and development. Intelligence estimates indicate that there has been some increase in Soviet military manpower since 1970. There has been little increase in total spending, however, because the added personnel costs and the growing research and development expenditures have been offset by declining investment outlays since the major strategic buildup of the late 1960s.

The Soviets appear to be between strategic investment cycles. The high level of missile testing presently under way almost certainly presages a return to a long-run upward trend in Soviet defense expenditures in the near future. Ogarkov's claim about a rise in NATO outlays is at variance with information which shows that--measured in constant prices--the spending of NATO countries has been declining since 1968.

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]FRANCE: The French nuclear test series for 1973 appears likely to get under way in the South Pacific soon [redacted] Closure of "danger areas" and press reports from Paris had indicated that the first test would occur earlier than that date.

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The series probably will involve three or four low-yield detonations, one of which may be a test of a tactical nuclear bomb. The impending tests have evoked vigorous protests from a number of countries in the South Pacific, and Paris has admitted that the outcry this year has been especially strong. Australia and New Zealand have taken the issue to the UN and the International Court of Justice. The French Government, however, has made it clear that it will proceed with the tests, that it will not be bound by any decisions of these organizations, and that it considers the protests to be hypocritical.

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URUGUAY: Strikers are returning to work after ending a 15-day general work stoppage, but the respite for the Bordaberry government is likely to be only temporary.

The decision to return to work, in spite of the government's refusal to make concessions to labor, apparently was forced on the more militant union leaders by a growing weariness among workers who were losing interest in sustaining the walkout. President Bordaberry has steadfastly refused to talk with second-echelon labor officials on settling the rift between the workers and the government. The President says he will negotiate only with the "true representatives" of the unions, but an arrest order has driven most of the top elected labor officials into hiding.

Although the general strike has ended, the more militant union leaders reportedly are planning short strikes, work slowdowns, and occasional demonstrations to harass the government. If this strategy finds wide support, it could seriously slow efforts to deal with the nation's economic problems and create new strains between Bordaberry and the military.

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FOR THE RECORD*

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International Monetary Developments: The dollar rally stalled yesterday as interventions by US and European central banks failed to meet market expectations. [redacted]

South Asia: India and Pakistan have agreed to hold talks on 24 July in Islamabad. Aziz Ahmed and P. N. Haksar, close advisers to President Bhutto and Prime Minister Gandhi respectively, will head the delegations. Discussions are expected to center largely on issues between Pakistan and Bangladesh.

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Venezuela: President Caldera reportedly will meet briefly with Fidel Castro on 17 September during a "refueling stop" in Caldera's trip to the United Nations. [redacted]

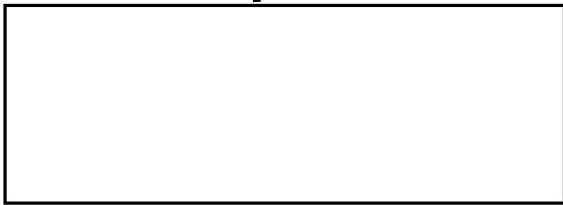
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[redacted]
El Salvador - Honduras: As the mid-July anniversary of the most recent hostilities approaches, the rumor mill is creating disquiet on both sides of the disputed border. Mutual fears could cause a trigger-happy reaction to an innocent act, but both chiefs of state appear anxious to avoid a renewed conflict. [redacted] [redacted]

*These items were prepared by CIA without consultation with the Departments of State and Defense.

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